



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

June 20, 2018

The Honorable Kevin Lembo
State Comptroller
55 Elm Street
Hartford, Connecticut 06106

Dear Comptroller Lembo:

Section 4-66 of the General Statutes requires that my office provide information on the state's General Fund. Information regarding the Special Transportation Fund is also presented here due to the significant nature of this fund. The information provided in this letter is for Fiscal Year 2018.

General Fund

We are projecting a deficit from operations of \$601.0 million, an improvement of \$116.5 million from the level reported last month. The change in our deficit projection is driven largely by agency spending restraint, although projected revenues have also seen improvement, as explained below. Note that our expenditure estimates include the impact of deficiency appropriations included in Public Act 18-81 as well as transfers approved by the Finance Advisory Committee on June 7th.

In accordance with existing law, the projected deficit will be extinguished via transfer from the Budget Reserve Fund as part of the process of closing out the fiscal year. The current balance in the Budget Reserve Fund (BRF) is \$212.9 million. Net of transfers required to balance the FY 2018 budget and use of resources per Public Act 18-81, we estimate that the BRF will rise to \$945.8 million at year-end, or about 5.0% of General Fund appropriations. While making a sizable deposit is a welcome development in rebuilding the rainy day fund, the BRF balance will still fall short of the 15% target adopted by the legislature in Public Act 15-244.

<u>Budget Reserve Fund</u> (in Millions)		
	<u>Impact</u>	<u>Balance</u>
FY 2017 Ending Balance		\$ 212.9
<u>FY 2018 Actions</u>		
Volatility Cap transfer (OPM June 20, 2018 proj.)	\$ 1,350.0	
FY 2018 Operating Deficit (OPM June 20, 2018 proj.)	(601.0)	
Transfer to Retired Teachers' Health Service Fund (PA 18-81)	<u>(16.1)</u>	
Net Change in Budget Reserve Fund, FY 2018	\$ 732.9	
FY 2018 Estimated Ending Balance		\$ 945.8

Revenues

Projected revenues in the General Fund have been revised upward by \$28.7 million compared to last month's estimate. Corporation Tax revenues are up by \$25 million as collections in recent months are outperforming our targets. Rents, Fines, and Escheats has been revised upward by \$15.0 million due to higher escheat collections. The Public Service Tax has been revised downward by \$10.0 million as that tax has underperformed its target. All other changes net to a negative \$1.3 million. It should be noted that the Estimates and Finals component of the Personal Income Tax is up \$60.0 million as the June estimated payment performed better than expected. However, this change will increase the anticipated volatility cap transfer to the Budget Reserve Fund rather than improve General Fund balance.

Expenditures

Projected expenditures are reduced by \$91.8 million from last month's estimate. As a result of deficiency appropriations included in Public Act 18-81 as well as transfers approved at the June meeting of the Finance Advisory Committee, no significant additional requirements are projected this year. OPM has identified several minor shortfalls that will be addressed through releases of holdbacks and other administrative actions, and we have reflected the impact of these actions in our projections. Statement 4, attached, lists estimated net lapses by agency as well as any funds held back from allotment as part of the budget plan.

Balance is also impacted by \$42.0 million in estimated payments for Adjudicated Claims, up \$4.0 million from last month's report. To date this fiscal year, \$35.3 million has been expended, with \$25.7 million of that related to payments and attorneys' fees for the SEBAC v. Rowland settlement. Additionally, a \$6.25 million settlement payout is expected soon. Existing law identifies the resources of the General Fund as the source for these payments.

Special Transportation Fund

We are projecting an operating surplus of \$117.3 million in the Special Transportation Fund, more than double the level reported last month. This change is driven largely by an improvement in projected revenues this year. Anticipated revenues are up \$53.4 million from last month. The most significant change is in the Oil Companies Tax, up \$43.3 million as fuel prices have grown more rapidly than expected. All other revenue changes net to a positive \$10.1 million. Spending trends have improved by \$5.7 million since last month's estimate. Passage of deficiency appropriations in Public Act 18-81 and transfers approved at the June 7th meeting of the Finance Advisory Committee resolve previously-reported shortfalls in various Department of Transportation accounts. The fund balance as of June 30, 2018, is projected to be \$214.9 million.

While the foregoing information represents the best estimate that can be made at this time, accounting adjustments made as part of the upcoming year-end closing process will affect the results reported here. Our forecast next month will be the last estimate of operating results before Fiscal Year 2018 ends.

Sincerely,



Benjamin Barnes
Secretary

Summary
June 20, 2018

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2018
As of May 31, 2018
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	(717.5)
Revenues			
Personal Income Tax	60.0		
Corporation Tax	25.0		
Transfer to BRF - Volatility	(60.0)		
All Other Changes (Net)	3.7		28.7
Expenditures			
Additional Requirements	24.5		
Estimated Lapses	67.3		
Miscellaneous Adjustments/Rounding	(4.0)		87.8
Estimated Balance from Operations - June 30, 2018		\$	<u>(601.0)</u>

Special Transportation Fund

Fund Balance as of June 30, 2017		\$	97.6
Balance from Operations - Prior Month			58.2
Revenues			
Oil Companies Tax	43.3		
All Other Changes (Net)	10.1		53.4
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	5.7		
Miscellaneous Adjustments/Rounding	0.0		5.7
Estimated Fund Balance - June 30, 2018		\$	<u>214.9</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2018
As of May 31, 2018
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,818.5	\$ 18,108.6	\$ 1,290.1
Less: Refunds	(1,269.1)	(1,292.7)	(23.6)
Taxes - Net	\$ 15,549.4	\$ 16,815.9	\$ 1,266.5
Other Revenue	1,253.8	1,276.9	23.1
Other Sources	1,953.9	(12.5)	(1,966.4)
TOTAL Revenue	\$ 18,757.1	\$ 18,080.3	\$ (676.8)
EXPENDITURES			
Initial Current Year Appropriations	\$ 19,572.8	\$ 19,572.8	\$ -
Prior Year Appropriations Continued to FY 2018 ²		60.2	60.2
TOTAL Initial and Continued Appropriations	\$ 19,572.8	\$ 19,633.0	\$ 60.2
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 19,572.8	\$ 19,633.0	\$ 60.2
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(898.9)	(933.5)	(34.6)
Estimated Appropriations to be Continued to FY 2019 ²		(341.7)	(341.7)
TOTAL Estimated Expenditures	\$ 18,673.9	\$ 18,357.8	\$ (316.1)
Net Change in Fund Balance - Continuing Appropriations		281.5	(401.9)
Miscellaneous Adjustments/Rounding		(42.0)	(42.0)
Net Change in Unassigned Fund Balance - 6/30/2018	\$ 83.2	\$ (601.0)	\$ (0.8)

1. P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session and P.A. 17-1, January 2018 Special Session.

2. CGS Sec. 4-89 and other statutory provisions.

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2018
As of May 31, 2018
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 9,182.5	\$ 10,585.8	\$ 1,403.3
Sales and Use	4,220.5	4,159.2	(61.3)
Corporation	933.3	893.2	(40.1)
Public Service Corporations	284.9	256.9	(28.0)
Inheritance and Estate	180.1	230.1	50.0
Insurance Companies	230.6	230.6	-
Cigarettes	394.2	379.2	(15.0)
Real Estate Conveyance	215.6	203.1	(12.5)
Alcoholic Beverages	62.6	62.6	-
Admissions and Dues	41.5	40.6	(0.9)
Health Provider Tax	1,045.0	1,047.8	2.8
Miscellaneous	27.7	19.5	(8.2)
TOTAL - TAXES	\$ 16,818.5	\$ 18,108.6	\$ 1,290.1
Less: Refunds of Taxes	(1,146.8)	(1,171.5)	(24.7)
Earned Income Tax Credit	(115.0)	(115.0)	-
R & D Credit Exchange	(7.3)	(6.2)	1.1
TOTAL - TAXES - NET	\$ 15,549.4	\$ 16,815.9	\$ 1,266.5
OTHER REVENUE			
Transfers - Special Revenue	\$ 339.3	\$ 345.3	\$ 6.0
Indian Gaming Payments	267.3	273.6	6.3
Licenses, Permits, Fees	309.6	311.3	1.7
Sales of Commodities and Services	43.8	34.8	(9.0)
Rents, Fines, Escheats	143.0	175.1	32.1
Investment Income	5.9	15.0	9.1
Miscellaneous	207.4	184.3	(23.1)
Refunds of Payments	(62.5)	(62.5)	-
TOTAL - OTHER REVENUE	\$ 1,253.8	\$ 1,276.9	\$ 23.1
OTHER SOURCES			
Federal Grants	\$ 1,766.3	\$ 1,144.3	\$ (622.0)
Transfer from Tobacco Settlement Fund	109.7	109.7	-
Transfers From/(To) Other Funds	77.9	83.5	5.6
Transfers to BRF - Volatility Adjustment	-	(1,350.0)	(1,350.0)
TOTAL - OTHER SOURCES	\$ 1,953.9	\$ (12.5)	\$(1,966.4)
TOTAL - GENERAL FUND REVENUE	\$ 18,757.1	\$ 18,080.3	\$ (676.8)

1. Secs. 696 and 717 of P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session, and P.A. 17-1, January 2018 Special Session.

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2018
As of May 31, 2018

No Additional Requirements

Total

\$ -

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2018
As of May 31, 2018

Unallocated Lapse ¹ .	\$ 42,250,000
Unallocated Lapse - Legislative ¹ .	1,000,000
Unallocated Lapse - Judicial ¹ .	3,000,000
Statewide Hiring Reduction	4,713,039
Targeted Savings	106,009,341
Reflect Delay	7,777,551
Achieve Labor Concessions	627,660,460
Municipal Contribution to Renters' Rebate Program	8,285,113
Reductions to Other Expenses	-
Reductions to State Managers and Consultants	-
Reductions to Reflect Savings Associated with Consolidation of Human Resources Functions into the Department of Administrative Services	-
Secretary of State	200,000
Office of the State Comptroller	450,000
Department of Revenue Services	4,500,000
Office of Policy and Management	350,000
Department of Veterans Affairs	400,000
Department of Administrative Services	2,000,000
Office of The Attorney General	1,100,000
Department of Emergency Services and Public Protection	650,000
Military Department	200,000
Department of Labor	200,000
Commission on Human Rights and Opportunities	100,000
Department of Agriculture	150,000
Department of Economic and Community Development	150,000
Department of Housing	450,000
Agricultural Experiment Station	150,000
Department of Public Health	500,000
Department of Developmental Services	2,000,000
Department of Mental Health and Addiction Services	700,000
Department of Social Services	48,300,000
State Department of Education	9,200,000
Office of Early Childhood	24,150,000
Office of Higher Education	400,000
Department of Children and Families	4,850,000
Judicial Department	4,000,000
OSC - Fringe Benefits	27,700,000

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2018
As of May 31, 2018

Total

\$ 933,545,504

1. Allocable pursuant to Public Act 17-2, June Special Session, Section 13.

State of Connecticut
FY 2018 General Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ¹ .	July 2017 ² .	August 2017 ² .	September 2017 ² .	October 2017	November 2017	December 2017	January 2018	February 2018	Updated March 2018	April 2018	May 2018	June 2018
REVENUE	\$ 18,757.1	\$ 17,160.0	\$ 17,160.0	\$ 17,160.0	\$ 18,512.3	\$ 18,495.6	\$ 18,479.6	\$ 18,497.4	\$ 18,497.4	\$ 18,051.6	\$ 18,051.6	\$ 18,080.3	
Appropriations	19,572.8	17,253.9	17,253.9	17,253.9	19,571.7	19,571.7	19,571.7	19,572.8	19,572.8	19,572.8	19,572.8	19,572.8	
Additional Requirements	0.0	0.0	0.0	0.0	10.0	33.3	37.0	37.1	41.9	42.9	24.5	0.0	
Less: Estimated Lapses	<u>(898.9)</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(881.6)</u>	<u>(906.9)</u>	<u>(910.9)</u>	<u>(942.7)</u>	<u>(954.6)</u>	<u>(1,217.3)</u>	<u>(866.2)</u>	<u>(933.5)</u>	
TOTAL - Estimated Expenditures	18,673.9	17,247.0	17,247.0	17,247.0	18,700.1	18,698.1	18,697.8	18,667.2	18,660.1	18,398.4	18,731.1	18,639.3	0.0
Balance from Operations	83.2	(87.0)	(87.0)	(87.0)	(187.8)	(202.5)	(218.2)	(169.8)	(162.7)	(346.8)	(679.5)	(559.0)	0.0
Misc. Adjustments/Rounding	<u>0.0</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(15.0)</u>	<u>(20.0)</u>	<u>(22.0)</u>	<u>(25.0)</u>	<u>(30.0)</u>	<u>(35.0)</u>	<u>(38.0)</u>	<u>(42.0)</u>	
Est. Balance from Operations - 6/30/18	\$83.2	(\$93.9)	(\$93.9)	(\$93.9)	(\$202.8)	(\$222.5)	(\$240.2)	(\$194.8)	(\$192.7)	(\$381.8)	(\$717.5)	(\$601.0)	\$0.0

1. P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session and P.A. 17-1, January 2018 Special Session.

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2018
As of May 31, 2018
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2017	\$ 97.6	\$ 97.6	\$ -
REVENUE			
Taxes	\$ 1,192.9	\$ 1,215.3	\$ 22.4
Less: Refunds of Taxes	<u>(12.6)</u>	<u>(10.9)</u>	<u>1.7</u>
Taxes - Net	1,180.3	1,204.4	24.1
Other Revenue	<u>412.3</u>	<u>408.9</u>	<u>(3.4)</u>
TOTAL - Revenue	\$ 1,592.6	\$ 1,613.3	\$ 20.7
EXPENDITURES			
Appropriations	\$ 1,522.9	\$ 1,522.9	\$ -
Prior Year Appropriations Continued to FY 2018 ^{2.}		<u>30.4</u>	<u>30.4</u>
TOTAL Initial and Continued Appropriations	\$ 1,522.9	\$ 1,553.3	\$ 30.4
Appropriation Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL Adjusted Appropriations	\$ 1,522.9	\$ 1,553.3	\$ 30.4
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(12.0)	(26.9)	(14.9)
Estimated Appropriations to be Continued to FY 2019		<u>-</u>	<u>-</u>
TOTAL Estimated Expenditures	\$ 1,510.9	\$ 1,526.4	\$ 15.5
Net Change in Fund Balance - Continuing Appropriations		(30.4)	(30.4)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2018	\$ 81.7	\$ 117.3	\$ 35.6
Estimated Fund Balance - June 30, 2018	<u>\$ 179.3</u>	<u>\$ 214.9</u>	<u>\$ 35.6</u>

1. P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session.

2. CGS Sec. 4-89 and other statutory provisions.

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2018
As of May 31, 2018
(In Millions)

	<u>General Assembly Budget Plan ¹.</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Motor Fuels	\$ 505.3	\$ 501.4	\$ (3.9)
Oil Companies	271.8	300.0	28.2
Sales & Use Tax	327.8	327.9	0.1
Sales Tax DMV	88.0	86.0	(2.0)
TOTAL - TAXES	<u>1,192.9</u>	<u>1,215.3</u>	<u>22.4</u>
Less: Refunds of Taxes	<u>(12.6)</u>	<u>(10.9)</u>	<u>1.7</u>
TOTAL - TAXES - NET	<u>\$ 1,180.3</u>	<u>\$ 1,204.4</u>	<u>\$ 24.1</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 251.8	\$ 251.2	\$ (0.6)
Licenses, Permits, Fees	144.4	141.0	(3.4)
Interest Income	9.5	14.5	5.0
Federal Grants	12.1	12.2	0.1
Transfers (To)/From Other Funds	(5.5)	(5.5)	-
Refunds of Payments	<u>-</u>	<u>(4.5)</u>	<u>(4.5)</u>
TOTAL - OTHER REVENUE	<u>\$ 412.3</u>	<u>\$ 408.9</u>	<u>\$ (3.4)</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 1,592.6</u>	<u>\$ 1,613.3</u>	<u>\$ 20.7</u>

1. Sec. 718 of P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session.

Statement 3T
June 20, 2018

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2018
As of May 31, 2018

No Additional Requirements

Total

\$ -

Statement 4T
June 20, 2018

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2018
As of May 31, 2018

Achieve Labor Concessions	\$ 18,456,912
Department of Motor Vehicles	2,500,000
Department of Transportation	1,300,000
DAS - Workers' Compensation Claims	100,000
OTT - Debt Service	3,900,000
OSC - Fringe Benefits	600,000
Total	<u>\$ 26,856,912</u>

State of Connecticut
FY 2018 Special Transportation Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ^{1.}	July 2017 ^{3.}	August 2017 ^{3.}	September 2017 ^{3.}	October 2017	November 2017	December 2017	January 2018	February 2018	Updated March 2018	April 2018	May 2018	June 2018
Beginning Balance ^{2.}	\$ 97.6	\$ 102.9	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6
Revenue	<u>1,592.6</u>	<u>1,564.4</u>	<u>1,564.4</u>	<u>1,564.4</u>	<u>1,554.4</u>	<u>1,554.4</u>	<u>1,554.2</u>	<u>1,554.2</u>	<u>1,554.2</u>	<u>1,559.9</u>	<u>1,559.9</u>	<u>1,613.3</u>	<u> </u>
Total Available	1,690.2	1,667.3	1,662.0	1,662.0	1,652.0	1,652.0	1,651.8	1,651.8	1,651.8	1,657.5	1,657.5	1,710.9	0.0
Appropriations	1,522.9	1,532.0	1,532.0	1,532.0	1,522.9	1,522.9	1,522.9	1,522.9	1,522.9	1,522.9	1,522.9	1,522.9	1,522.9
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	28.1	34.9	35.7	37.0	0.0	0.0	
Less: Estimated Lapses	<u>(12.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12.0)</u>	<u>(12.0)</u>	<u>(53.7)</u>	<u>(55.2)</u>	<u>(55.2)</u>	<u>(55.7)</u>	<u>(21.2)</u>	<u>(26.9)</u>	<u> </u>
TOTAL - Estimated Expenditures	1,510.9	1,532.0	1,532.0	1,532.0	1,510.9	1,510.9	1,497.3	1,502.6	1,503.4	1,504.2	1,501.7	1,496.0	0.0
Balance from Operations	81.7	32.4	32.4	32.4	43.5	43.5	56.9	51.6	50.8	55.7	58.2	117.3	0.0
Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u> </u>
Estimated Balance 6/30/18	\$179.3	\$135.3	\$130.0	\$130.0	\$141.1	\$141.1	\$154.5	\$149.2	\$148.4	\$153.3	\$155.8	\$214.9	\$0.0

1. P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session.

2. Months of July and August as estimated by the Office of Policy and Management. Budget plan and September and thereafter per the Comptroller's September 29, 2017, letter.

3. July, August and September represent results as compared to the Governor's Executive Order Resource Allocation Plan, August 18, 2017; revenues are consistent with the May 1, 2017, consensus revenue forecast issued pursuant to CGS Sec. 2-36c, as modified by P.A. 17-51 and Executive Order 58.